Adecco Group

HALF YEAR REPORT 2016

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Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1. Operating results

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	11,028	10,665	3	5
Gross profit	2,082	2,013	3	4
Gross margin	18.9%	18.9%		
EBITA[1]	510	493	3	4
EBITA margin	4.6%	4.6%		
Operating income	492	475	4	4
Net income attributable to Adecco shareholders	334	337	(1)	
Basic EPS	1.96	1.95	1	

1.1 Overview

Statements throughout this discussion and analysis using the term "the Company" refer to the Adecco Group, which comprises Adecco Group AG, a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities for which Adecco is considered the primary beneficiary.

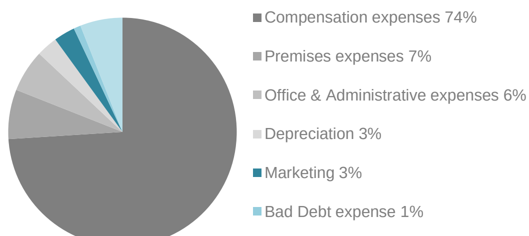
Revenues for the first six months of 2016 amounted to EUR 11,028. Compared to the same period last year, revenues increased by 3% or by 5% in constant currency. This was mainly due to an increase of 4% in the temporary staffing volume as temporary hours sold increased to 603 million. Furthermore, in the first six months of 2016, permanent placement revenues totalled EUR 234, an increase of 10% or 12% in constant currency. Revenues from career transition amounted to EUR 190 in the first six months of 2016, an increase of 7% or 2% organically.

Gross profit amounted to EUR 2,082 in the first six months of 2016, an increase of 3% or 4% in constant currency. The gross margin was 18.9%, flat year-on-year. Currency effects added 10 bps, acquisitions had a positive impact of 10 bps and the organic decrease was 20 bps. On an organic basis, the temporary staffing gross margin was down 25 bps, permanent placement added 10 bps, and other activities had a negative impact of 5 bps.

1 EBITA is non-U.S. GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.

Selling, general, and administrative expenses ("SG&A") increased by 3% or by 4% in constant currency to EUR 1,572 in the first six months of 2016 compared to the same period last year. SG&A as a percentage of revenues in the first six months of 2016 was 14.3% compared to 14.2% in the first six months of 2015. Included in the first six months of 2016 are integration costs of EUR 2 in Lee Hecht Harrison related to the acquired Penna business. Included in the first six months of 2015 are integration costs of EUR 5 in Lee Hecht Harrison related to the acquired Knightsbridge business and costs for contractual obligations to the former CEO and CFO of EUR 10 in Corporate. The branch network increased by 1%, and full-time equivalent ("FTE") employees increased by 4%.

SG&A breakdown
HY 2016



Adecco Group – Operating and financial review and prospects

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EBITA was EUR 510 and increased by 3% or by 4% in constant currency in the first six months of 2016. The EBITA margin was 4.6% in the first six months of 2016 the same as in the first six months of 2015. EBITA includes in the first six months of 2016 integration costs of EUR 2 in Lee Hecht Harrison related to the acquired Penna business. Included in the first six months of 2015 are integration costs of EUR 5 in Lee Hecht Harrison related to the acquired Knightsbridge business and costs for contractual obligations to the former CEO and CFO of EUR 10 in Corporate.

Amortisation of intangible assets amounted to EUR 18 in the first six months of 2016, unchanged compared to the same period in 2015.

Operating income amounted to EUR 492 in the first six months of 2016 compared to EUR 475 in the same period of 2015.

Interest expense was EUR 31 in the first six months of 2016 compared to EUR 34 in the same period of 2015.

Other income/(expenses), net amounted to an income of EUR 5 in the first six months of 2016 compared to an income of EUR 10 in the same period of 2015.

Provision for income taxes was EUR 131 compared to EUR 112 in the same period of 2015.

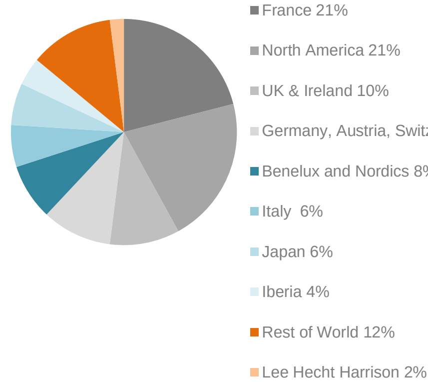
The **effective tax rate** in the first six months of 2016 was 28%, compared to 25% in the same period in 2015.

Net income attributable to Adecco shareholders amounted to EUR 334 in the first six months of 2016, compared to EUR 337 in the same period of 2015. Basic earnings per share ("EPS") was EUR 1.96 in the first six months of 2016 compared to EUR 1.95 in the first six months of 2015.

1.2 Segment performance and revenues by business line

On a geographical basis, trends for the first six months of 2016 were mainly positive. In France, revenues increased by 5% while revenues in North America remained flat in constant currency. These are our two largest markets, accounting for 42% of revenues. In other markets, revenue growth was strongest in Rest of World (13% in constant currency), Iberia (10%), and Italy (9%), and weakest in Germany, Austria, Switzerland (1% in constant currency).

HY 2016 revenues split by segment



in millions, except share and per share information

The segment breakdown of revenues and EBITA for the six months ended June 30, 2016 and June 30, 2015 is presented in the following tables:

Revenues by segment			Variance %	
in EUR	**2016**	**2015**	**EUR**	**Constant currency**
France	2,366	2,259	5	5
North America	2,283	2,263	1	0
UK & Ireland[1]	1,116	1,119	0	4
Germany, Austria, Switzerland	1,062	1,062	0	1
Benelux and Nordics	909	868	5	6
Italy	693	637	9	9
Japan	612	555	10	3
Iberia	466	424	10	10
Rest of World	1,304	1,276	2	13
Lee Hecht Harrison[1]	217	202	7	8
Adecco Group[1]	**11,028**	**10,665**	**3**	**5**

1 In the first six months of 2016, revenues changed organically in UK & Ireland by 3%, in Lee Hecht Harrison remained flat and in the Adecco Group increased by 4%.

EBITA and EBITA margin by segment	**EBITA**				**EBITA margin**		
			Variance %				Variance
in EUR	**2016**	**2015**	**EUR**	**Constant currency**	**2016**	**2015**	**bps**
France	142	144	(1)	(1)	6.0%	6.4%	(40)
North America	132	131	0	0	5.8%	5.8%	0
UK & Ireland	23	26	(9)	(4)	2.1%	2.3%	(20)
Germany, Austria, Switzerland	50	51	(3)	(2)	4.7%	4.9%	(20)
Benelux and Nordics	30	22	32	31	3.3%	2.6%	70
Italy	53	42	27	27	7.6%	6.5%	110
Japan	43	33	27	19	6.9%	6.0%	90
Iberia	19	18	4	4	4.1%	4.3%	(20)
Rest of World	35	40	(12)	1	2.7%	3.1%	(40)
Lee Hecht Harrison	62	57	9	10	28.8%	28.3%	50
Corporate	(79)	(71)					
Adecco Group	**510**	**493**	**3**	**4**	**4.6%**	**4.6%**	**0**

Adecco Group –
Operating and financial review and prospects

in millions, except share and per share information

From a business line perspective, General Staffing represented 74% of Adecco Group revenues in the first six months of 2016 with the remaining 26% coming from Professional Staffing and Solutions. In the first six months of 2016, revenues increased in General Staffing by 5% and in Professional Staffing by 3%, both in constant currency.

In our Solutions business, revenues increased by 9% in constant currency or by 3% organically, with revenues in Career Transition & Talent Development flat organically, while our BPO business grew 9% in constant currency.

The business line breakdown of revenues for the six months ended June 30, 2016 and June 30, 2015 is presented below:

Revenues by business line[1]			Variance %	
in EUR	**2016**	**2015**	**EUR**	**Constant currency**
Office	2,673	2,581	4	5
Industrial	5,474	5,288	4	5
General Staffing	**8,147**	**7,869**	**4**	**5**
Information Technology	1,307	1,284	2	4
Engineering & Technical	542	569	(5)	(5)
Finance & Legal	475	440	8	8
Medical & Science	231	201	15	15
Professional Staffing	**2,555**	**2,494**	**2**	**3**
CTTD[2]	217	202	7	8
BPO	109	100	10	9
Solutions[2]	**326**	**302**	**8**	**9**
Adecco Group[2]	**11.028**	**10,665**	**3**	**5**

1 Breakdown of staffing revenues into Office, Industrial, Information Technology (IT), Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. CTTD comprises Career Transition & Talent Development services. BPO comprises Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Vendor Management System (VMS).

2 In the first six months of 2016, organic revenues in CTTD were flat, in Solutions increased by 3%, and in the Adecco Group increased by 4%.

in millions, except share and per share information

France

in EUR	2016	2015	Variance %
Revenues	2,366	2,259	5
EBITA	142	144	(1)
EBITA margin	6.0%	6.4%	

In the first six months of 2016, revenues in France increased to EUR 2,366. Revenues in General Staffing, which accounted for over 90% of revenues in France, increased by 5%, while revenues in Professional Staffing increased by 3%. Permanent placement revenues in France were up 27%. EBITA in the first six months of 2016 amounted to EUR 142 compared to EUR 144 in the first six months of 2015. The EBITA margin was 6.0%, compared to the EBITA margin of 6.4% in the same period of last year.

North America

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	2,283	2,263	1	0
EBITA	132	131	0	0
EBITA margin	5.8%	5.8%		

In North America, revenues were EUR 2,283, an increase of 1% or flat in constant currency compared to the first six months of 2015. In North America, General Staffing accounted for approximately half of the revenues. Revenues declined by 2% in Industrial and by 3% in Office, both in constant currency. Revenues in Professional Staffing increased by 2% organically. Revenues increased by 13% (12% organically) in Finance & Legal, and by 26% in Medical & Science, whereas in Engineering & Technical revenues declined by 9% and in IT by 1%, all in constant currency. Permanent placement revenues in North America were up 8% in constant currency (up 7% organically). EBITA in the first six months of 2016 was EUR 132 compared to EUR 131 in the same period of 2015. The EBITA margin was 5.8% in the first six months of 2016, the same as in 2015.

UK & Ireland

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	1,116	1,119	0	4
EBITA	23	26	(9)	(4)
EBITA margin	2.1%	2.3%		

In the first six months of 2016, revenues in the UK & Ireland remained flat or increased by 3% organically to EUR 1,116. Approximately two-thirds of revenues came from Professional Staffing, which decreased by 1% in constant currency. Revenues remained flat in IT, decreased by 4% in Finance & Legal, and by 25% in Engineering & Technical, all in constant currency. Within General Staffing, the majority of revenues are in Office, which increased by 16% in constant currency or by 11% organically. Permanent placement revenues increased by 5% in constant currency or by 3% organically. EBITA in the first six months of 2016 amounted to EUR 23 compared to EUR 26 in the same period of the prior year. The EBITA margin was 2.1% in the first six months of 2016 compared to 2.3% in the same period of 2015.

Germany, Austria, Switzerland

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	1,062	1,062	0	1
EBITA	50	51	(3)	(2)
EBITA margin	4.7%	4.9%		

In the first six months of 2016, revenues in Germany, Austria, Switzerland were flat or increased by 1% in constant currency to EUR 1,062. Revenues in Industrial, which accounted for approximately 75% of revenues in Germany, Austria, Switzerland remained flat in constant currency. Revenues in Professional Staffing increased by 1% in constant currency. EBITA in the first six months of 2016 amounted to EUR 50 compared to EUR 51 in the same period of 2015. The EBITA margin was 4.7% in the first six months of 2016 compared to 4.9% in the first six months of 2015.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

Benelux and Nordics

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	909	868	5	6
EBITA	30	22	32	31
EBITA margin	3.3%	2.6%		

In the first six months of 2016, revenues in Benelux and Nordics increased by 5% or by 6% in constant currency. The EBITA margin was 3.3% in the first six months of 2016 compared to 2.6% in the first six months of 2015.

Italy

in EUR	2016	2015	Variance %
Revenues	693	637	9
EBITA	53	42	27
EBITA margin	7.6%	6.5%	

Revenues in Italy increased by 9% compared to the first six months of 2015. The EBITA margin in the first six months of 2016 was 7.6%, up 110 bps compared to the same period of 2015.

Japan

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	612	555	10	3
EBITA	43	33	27	19
EBITA margin	6.9%	6.0%		

In Japan, revenues in the first six months of 2016 were EUR 612, an increase of 10% or an increase of 3% in constant currency. In Office, which accounted for approximately 75% of total revenues in Japan, revenues increased by 2% in constant currency. Revenues in our smaller Professional Staffing business increased by 11% in constant currency. EBITA was EUR 43 in the first six months of 2016 compared to EUR 33 in the first six months of 2015. The EBITA margin for the first six months of 2016 was 6.9% compared to 6.0% in the first six months of 2015.

Iberia

in EUR	2016	2015	Variance %
Revenues	466	424	10
EBITA	19	18	4
EBITA margin	4.1%	4.3%	

Revenues increased in Iberia by 10% in the first six months of 2016 compared to the same period in 2015. The EBITA margin in the first six months of 2016 was 4.1%, down 20 bps compared to the same period of 2015.

Rest of World

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	1,304	1,276	2	13
EBITA	35	40	(12)	1
EBITA margin	2.7%	3.1%		

Revenues in Rest of World increased by 2% or by 13% in constant currency in the first six months of 2016 compared to the same period in 2015. The EBITA margin in the first six months of 2016 was 2.7%, compared to 3.1% in the same period of 2015.

Lee Hecht Harrison

in EUR	2016	2015	Variance % EUR	Variance % Constant currency
Revenues	217	202	7	8
EBITA	62	57	9	10
EBITA margin	28.8%	28.3%		

In the first six months of 2016, revenues of Lee Hecht Harrison, the global leader in Career Transition & Talent Development, amounted to EUR 217, an increase of 7% or 8% in constant currency, or flat organically. EBITA in the first six months of 2016 amounted to EUR 62 and the EBITA margin was 28.8% compared to 28.3% in the same period of 2015. EBITA in the first six months of 2016 included integration costs of EUR 2 related to the acquired Penna business and in the same period of 2015 included integration costs of EUR 5 related to the acquired Knightsbridge business.

2. Non-U.S. GAAP information and financial measures

The Company uses non-U.S. GAAP financial measures for management purposes. The principal non-U.S. GAAP financial measures discussed herein are EBITA, net debt, constant currency, and organic growth comparisons, which are used in addition to, and in conjunction with results presented in accordance with U.S. GAAP.

EBITA, net debt, constant currency, and organic growth comparisons should not be relied upon to the exclusion of U.S. GAAP financial measures, but rather reflect additional measures of comparability and means of viewing aspects of the Company's operations that, when viewed together with the U.S. GAAP results, provide a more complete understanding of factors and trends affecting the Company's business.

Because EBITA, net debt, constant currency, and organic growth comparisons are not standardised, it may not be possible to compare the Company's measures with other companies' non-U.S. GAAP financial measures having the same or a similar name. Management encourages investors to review the Company's financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

EBITA refers to operating income before amortisation and impairment of goodwill and intangible assets. Management believes that EBITA is important supplemental information for investors because it focuses on the underlying performance of the Company's business.

Management monitors outstanding debt obligations by calculating net debt. **Net debt** comprises short-term and long-term debt less cash and cash equivalents and short-term investments.

Constant currency comparisons are calculated by multiplying the prior year functional currency amount by the current year foreign currency exchange rate. Management believes that constant currency comparisons are important supplemental information for investors because these comparisons exclude the impact of changes in foreign currency exchange rates, which are outside the Company's control, and focuses on the underlying growth and performance.

Organic growth figures exclude the impact of currency, acquisitions, and divestitures. Management believes that organic growth comparisons are important supplemental information because these comparisons exclude the impact of changes resulting from foreign currency exchange rate fluctuations, acquisitions, and divestitures.

3. Cash flow, net debt and Days Sales Outstanding ("DSO")

Cash flows from operating activities amounted to EUR 136 in the first six months of 2016, which includes the cash proceeds of EUR 169 for the sale of a portion of the CICE (tax credit for competitiveness and employment) receivables. This compared to cash flows from operating activities of EUR 208 in the first six months of 2015, which includes the cash proceeds of EUR 163 for the sale of a portion of the CICE receivables. Cash used in investing activities amounted to EUR 105 in the first six months of 2016, which includes the cash outflow of EUR 122 for the acquisition of Penna and EUR 32 for capital expenditures, partly offset by cash received on settlement of derivative instruments of EUR 56. This compared to cash used in investing activities of EUR 210 in the first six months of 2015, which includes the cash outflow of EUR 102 for cash settlements on derivative instruments, EUR 58 for the acquisition of Knightsbridge and EUR 44 for capital expenditures. Cash used in financing activities totalled EUR 271 in the first six months of 2016 and included the payment of dividends of EUR 372, the repayment of long term debt of EUR 316, and the purchase of treasury shares of EUR 20, partly offset by the net increase in short-term debt of EUR 438. In the first six months of 2015, cash flows from financing activities amounted to EUR 401, and included the proceeds from the issuance of long-term debt of EUR 498, the net increase in short-term debt of EUR 288, partly offset by the payment of dividends of EUR 348, and the purchase of treasury shares of EUR 37.

Net debt increased by EUR 370 to EUR 1,409 at the end of June 2016 compared to December 2015.

DSO was 51 days in the first six months of 2016 compared to 53 days in the first six months of 2015.

4. Outlook

In Q2 2016, organic revenue growth was 3% adjusted for trading days. Compared to the Q1 2016 exit rate of 3% in March, April was slightly stronger, May was weaker and June was back to 3%, all organically and adjusted for trading days. Volume growth in July was similar to June. The global economic outlook remains uncertain, and the Adecco Group will adapt to any changes in market conditions, maintaining price discipline and tight cost control. In Q3 2016, SG&A excluding one-offs is expected to be similar to Q2 2016.

The Adecco Group remains committed to leveraging the Economic Value Added ("EVA") approach to balance revenue growth, profitability and cash generation. The Company's financial targets, to be achieved on average across an entire economic cycle, including periods of economic expansion and recession, are: growing revenues organically at least in line with the Company's main peers, at Group level and in each major market; improving the Company's EBITA margin to 4.5%-5.0% on average through-the-cycle; and delivering on an operating cash flow conversion[2] of more than 90% on average through-the-cycle.

5. Forward-looking statements

Information in this Half Year Report may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Half Year Report are based on information available to the Company as of August 9, 2016, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Half Year Report are not guarantees of future performance, and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

- global GDP trends and the demand for temporary work;
- changes in regulation affecting temporary work;
- intense competition in the markets in which the Company operates;
- integration of acquired companies;
- changes in the Company's ability to attract and retain qualified internal and external personnel or clients;
- the potential impact of disruptions related to IT; and
- any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

2 Operating cash flow conversion calculated as: cash flow from operating activities before interest and income tax paid minus capital expenditures as a percentage of EBITA excluding one-offs.

Adecco Group – Selected financial information

in millions, except share and per share information

For the six months ended June 30 (in EUR)	2016	2015
Statements of operations		
Revenues	11,028	10,665
Gross profit	2,082	2,013
Operating income	492	475
Net income attributable to Adecco shareholders	334	337

As of (in EUR)	30.06.2016	31.12.2015
Balance sheets		
Cash and cash equivalents and short-term investments	958	1,208
Trade accounts receivable, net	4,213	3,972
Goodwill	3,069	3,018
Total assets	9,737	9,726
Short-term debt and current maturities of long-term debt	533	415
Accounts payable and accrued expenses	3,774	3,779
Long-term debt, less current maturities	1,834	1,832
Total liabilities	6,504	6,380
Total shareholders' equity	3,233	3,346

For the six months ended June 30 (in EUR)	2016	2015
Cash flows from operations		
Cash flows from operating activities	136	208
Cash used in investing activities	(105)	(210)
Cash flows from/(used in) financing activities	(271)	401
Other indicators		
Capital expenditures	32	44

As of	30.06.2016	31.12.2015
Other indicators		
Net debt (in EUR)[1]	1,409	1,039
Additional statistics		
Number of FTE employees at end of period (approximate)	33,000	32,000

1 Net debt is a non-U.S. GAAP measure and comprises short-term and long-term debt, less cash and cash equivalents and short-term investments.

Adecco Group – Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2016	31.12.2015
Assets			
Current Assets:			
• Cash and cash equivalents		948	1,198
• Short-term investments		10	10
• Trade accounts receivable, net		4,213	3,972
• Other current assets		334	307
Total current assets		**5,505**	**5,487**
Property, equipment, and leasehold improvements, net		183	192
Other assets		448	512
Intangible assets, net	2	532	517
Goodwill	2	3,069	3,018
Total assets		**9,737**	**9,726**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses		3,774	3,779
• Short-term debt and current maturities of long-term debt	3	533	415
Total current liabilities		**4,307**	**4,194**
Long-term debt, less current maturities	3	1,834	1,832
Other liabilities		363	354
Total liabilities		**6,504**	**6,380**
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares		108	108
• Additional paid-in capital	4	575	721
• Treasury shares, at cost	4	(259)	(258)
• Retained earnings		2,883	2,782
• Accumulated other comprehensive income/(loss), net	4	(81)	(13)
Total Adecco shareholders' equity		**3,226**	**3,340**
Noncontrolling interests		7	6
Total shareholders' equity		**3,233**	**3,346**
Total liabilities and shareholders' equity		**9,737**	**9,726**

The accompanying notes are an integral part of these consolidated financial statements.

Adecco Group – Consolidated statements of operations

in millions, except share and per share information

For the six months ended June 30 (in EUR)	**Note**	**2016**	**2015**
Revenues	11	11,028	10,665
Direct costs of services		(8,946)	(8,652)
Gross profit		**2,082**	**2,013**
Selling, general, and administrative expenses		(1,572)	(1,520)
Amortisation of intangible assets		(18)	(18)
Operating income	11	**492**	**475**
Interest expense		(31)	(34)
Other income/(expenses), net	8	5	10
Income before income taxes		**466**	**451**
Provision for income taxes	9	(131)	(112)
Net income		**335**	**339**
Net income attributable to noncontrolling interests		(1)	(2)
Net income attributable to Adecco shareholders		**334**	**337**
Basic earnings per share	10	**1.96**	**1.95**
Basic weighted-average shares	10	170,245,955	173,278,121
Diluted earnings per share	10	**1.96**	**1.94**
Diluted weighted-average shares	10	170,440,257	173,497,432

The accompanying notes are an integral part of these consolidated financial statements.

Adecco Group –
Consolidated statements of comprehensive income

in millions, except share and per share information

For the six months ended June 30 (in EUR)	Note	2016	2015
Net income		335	339
Other comprehensive income/(loss), net of tax:			
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2016: EUR 2, 2015: EUR 3)		(22)	(39)
• Currency translation adjustment excluding long-term intercompany loans (net of tax of, 2016: less than EUR 1, 2015: EUR 3)		(49)	54
• Change in unrealised gains/(losses) of available-for-sale securities (net of tax of, 2016: less than EUR 1, 2015: less than EUR 1)		1	
• Change in net actuarial gain/(loss) on pensions including currency translation adjustment (net of tax of, 2016: less than EUR 1, 2015: EUR 1)	5	2	(2)
Total other comprehensive income/(loss)		(68)	13
Total comprehensive income		**267**	**352**
Less comprehensive income attributable to noncontrolling interests		(1)	(2)
Comprehensive income attributable to Adecco shareholders		**266**	**350**

The accompanying notes are an integral part of these consolidated financial statements.

Adecco Group –
Consolidated statements of cash flows

in millions, except share and per share information

For the six months ended June 30 (in EUR)	2016	2015
Cash flows from operating activities		
Net income	335	339
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	60	65
• Other charges	2	12
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	(286)	(319)
• Accounts payable and accrued expenses	(9)	75
• Other assets and liabilities	34	36
Cash flows from operating activities	**136**	**208**
Cash flows from investing activities		
Capital expenditures	(32)	(44)
Acquisition of Penna, net of cash acquired	(122)	
Acquisition of Knightsbridge, net of cash acquired		(58)
Cash settlements on derivative instruments	56	(102)
Other acquisition and investing activities, net	(7)	(6)
Cash used in investing activities	**(105)**	**(210)**
Cash flows from financing activities		
Net increase in short-term debt	438	288
Borrowings of long-term debt, net of issuance costs		498
Repayment of long-term debt	(316)	
Dividends paid to shareholders	(372)	(348)
Purchase of treasury shares	(20)	(37)
Other financing activities, net	(1)	
Cash flows from/(used in) financing activities	**(271)**	**401**
Effect of exchange rate changes on cash	(10)	29
Net increase/(decrease) in cash and cash equivalents	**(250)**	**428**
Cash and cash equivalents:		
• Beginning of year	1,198	695
• End of period	948	1,123
Supplemental disclosures of cash paid		
Cash paid for interest	34	34
Cash paid for income taxes	119	135

The accompanying notes are an integral part of these consolidated financial statements.

Adecco Group – Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2016	**108**	**721**	**(258)**	**2,782**	**(13)**	**6**	**3,346**
Comprehensive income:							
Net income				334		1	335
Other comprehensive income/(loss)					(68)		(68)
Total comprehensive income							**267**
Stock-based compensation		6					6
Vesting of share awards		(13)	12				(1)
Treasury shares purchased on second trading line			(11)				(11)
Other treasury share transactions			(2)				(2)
Cash dividends, CHF 2.40 per share		(139)		(233)			(372)
June 30, 2016	**108**	**575**	**(259)**	**2,883**	**(81)**	**7**	**3,233**

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2015	**111**	**1,063**	**(303)**	**3,072**	**(108)**	**4**	**3,839**
Comprehensive income:							
Net income				337		2	339
Other comprehensive income/(loss)					13		13
Total comprehensive income							**352**
Stock-based compensation		15					15
Vesting of share awards		(15)	14	(1)			(2)
Share cancellation	(3)		257	(297)			(43)
Treasury shares purchased on second trading line			(31)				(31)
Other treasury share transactions			(8)				(8)
Cash dividends, CHF 2.10 per share		(348)					(348)
June 30, 2015	**108**	**715**	**(71)**	**3,111**	**(95)**	**6**	**3,774**

The accompanying notes are an integral part of these consolidated financial statements.

in millions, except share and per share information

Note 1 • Summary of significant accounting policies

Basis of presentation and principles of consolidation

At the Annual General Meeting of Shareholders of Adecco S.A. held on April 21, 2016, the shareholders approved to move the corporate seat of Adecco S.A. from Chéserex (Vaud) Switzerland to Opfikon (Zurich) Switzerland, and subsequently to amend the corporate name of the top holding company of Adecco S.A. to Adecco Group AG. On April 25, 2016, the corporate seat was moved to Opfikon, and on April 28, 2016, the corporate name of the top holding company was changed from Adecco S.A. to Adecco Group AG.

The consolidated half year financial statements include Adecco Group AG (formerly "Adecco S.A."), a Swiss corporation, its consolidated subsidiaries as well as variable interest entities in which Adecco is considered the primary beneficiary (collectively, "the Company").

The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of December 31, 2015 and for the year then ended (except as noted below under "New accounting guidance").

Certain information and footnote disclosures included in the audited consolidated financial statements as of December 31, 2015 have been condensed or omitted. As a result, the financial information in the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Financial Review, the Corporate Governance, and the Remuneration Report for the fiscal year ended December 31, 2015.

The reporting currency of the Company is the Euro, which reflects the significance of the Company's Euro-denominated operations. Adecco Group AG's share capital is denominated in Swiss Francs and the Company declares and pays dividends in Swiss Francs.

In the opinion of management, the consolidated half year financial statements reflect all adjustments necessary to present fairly the consolidated balance sheets, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, the consolidated statements of changes in shareholders' equity, and the accompanying notes.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make judgements, assumptions, and estimates that affect the amounts reported in the consolidated half year financial statements and accompanying notes. The results of these estimates form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

CICE (tax credit for competitiveness and employment)

At the end of 2012, the French government introduced a tax relief programme known as CICE (tax credit for competitiveness and employment) for all companies operating in France. Since 2014, this provides employers with a tax credit of 6% on employee salaries up to 2.5 times the minimum wage. The CICE earned each year is creditable against current income tax payable in France with any remaining amount paid after three years. Given the Company's current tax situation in France, the Company does not expect to receive the CICE receivables recorded until three years after it is earned.

In June 2016, the Company sold a portion of the CICE receivables of EUR 170 for cash proceeds of EUR 169 and in June 2015, the Company sold a portion of the CICE receivables of EUR 167 for cash proceeds of EUR 163. Upon sale, the Company derecognised EUR 170 in June 2016 and EUR 167 in June 2015 of the CICE receivables as this transaction qualifies for sale treatment in accordance with Accounting Standards Codification ("ASC") 860, "Transfers and Servicing" ("ASC 860"), and the Company does not have any continuing involvement with the CICE receivables sold. The discount on the CICE receivables sold is recorded in interest expense in the consolidated statements of operations.

in millions, except share and per share information

New accounting guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" (Topic 606): Revenue Recognition ("ASU 2014-09") that establishes a broad principle that would require an entity to recognise revenue to depict the performance of services or transfer of promised goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services or goods. This guidance requires retrospective adoption either to each prior reporting period presented or as a cumulative effective adjustment as of the date of adoption, and is effective for the first interim period within annual reporting periods beginning after December 15, 2017. Early adoption is permitted from the first interim period within annual reporting periods beginning after December 15, 2016. The Company plans to adopt this update as of January 1, 2018 and is currently assessing the impact of this guidance on the consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The amendments under ASU 2015-17 require that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. This guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. This guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for all entities as of the beginning of any interim or annual reporting period. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)" that establishes a broad principle requiring a lessee to recognise in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited. The guidance is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The Company plans to adopt this update as of January 1, 2019 and is currently assessing the impact of this guidance on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09 "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 provides updated guidance on the recognition, measurement, presentation, and disclosure of certain components of stock compensation. The updated guidance requires the recognition of all excess tax benefits/deficiencies in the statement of operations with the classification as operating activities within the statement of cash flows, as well as the option to account for forfeitures based on awards expected to vest or as they occur. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The Company early adopted this guidance on a prospective basis for the period ended March 31, 2016 and it did not have a significant impact on the consolidated financial statements. Prior periods have not been adjusted to conform to the current period presentation.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The new guidance requires the use of a "current expected credit loss" model for most financial assets. Under the new model, an entity recognises as an allowance, its estimate of expected credit losses rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. The new guidance is effective for the Company for fiscal years beginning after December 15, 2020 including interim periods within those fiscal years. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

in millions, except share and per share information

Note 2 • Acquisitions

The Company made acquisitions in the first six months of 2016 and does not consider any of its acquisition transactions to be material, individually or in the aggregate, to its consolidated balance sheets or results of operations.

The following table illustrates the aggregate impact of the 2016 acquisitions:

in EUR	**2016**
Impact of acquisitions	
Net tangible assets acquired	2
Identified intangible assets	37
Goodwill	102
Deferred tax liabilities	(7)
Total consideration	**134**

In May 2016, the Company acquired all outstanding common shares of Penna Consulting Plc ("Penna"), a UK market leader in career transition, talent and leadership development and recruitment services, for EUR 122, net of EUR 6 cash acquired. As a result of the Penna acquisition, the Company will broaden Adecco's range of services in the UK. Goodwill of EUR 99 and intangible assets of EUR 35 were recorded in connection with Penna. The purchase price was funded with internal resources. Penna was consolidated by the Company as of May 1, 2016, and the results of Penna operations have been included in the consolidated financial statements since May 2016. The goodwill of EUR 99 arising from the acquisition consists largely of acquired expertise and increased penetration in the UK career transition, talent development and recruitment services markets.

Total acquisition related costs expensed in 2016 were not significant. Acquisition related costs are included in SG&A within the consolidated statements of operations.

in millions, except share and per share information

Note 3 • Financing arrangements

The Company's long-term and short-term debt as of June 30, 2016, amounted to EUR 2,367 compared to EUR 2,247 as of December 31, 2015. Short-term debt as of June 30, 2016 amounted to EUR 532 and consisted of borrowings under the French commercial paper programme (EUR 394) and under other lines of credit (EUR 138). Short-term debt as of December 31, 2015 amounted to EUR 93.

Long-term debt

The Company's long-term debt as of June 30, 2016 and December 31, 2015 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2016	31.12.2015
7-year guaranteed Euro medium-term notes	EUR 500	2022	1.5%	499	499
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	115	115
6-year guaranteed Euro medium-term notes	EUR 400	2019	2.75%	399	399
7-year guaranteed Euro medium-term notes	EUR 500	2018	4.75%	498	497
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%	323	322
4-year Swiss Franc fixed rate notes	CHF 350	2016	2.125%		321
Other				1	1
				1,835	**2,154**
Less current maturities				(1)	(322)
Long-term debt, less current maturities				**1,834**	**1,832**

Other credit facilities

Committed multicurrency revolving credit facility
As of June 30, 2016, both 1-year-extension options at the discretion of the banks, on the existing EUR 600 multicurrency revolving credit facility were exercised and as a result the maturity date of the credit facility was extended to October 2020. The facility is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.35% and 1.05% per annum, depending on certain debt-to-EBITDA ratios. A utilisation fee of 0.10%, 0.20% and 0.40%, applies on top of the interest rate, for cash drawings of up to 33.33%, 66.67% and above 66.67%, respectively, of the total commitment not used for letters of credit. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of June 30, 2016 and December 31, 2015, there were no outstanding borrowings under the credit facility. As of June 30, 2016, the Company had EUR 592 available under the facility after utilising the Euro equivalent of EUR 8 in the form of letters of credit.

Note 4 • Shareholders' equity

Authorised shares and appropriation of available earnings

As of June 30, 2016 and December 31, 2015, Adecco Group AG. had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options. In addition, as of June 30, 2016 and December 31, 2015, Adecco Group AG was authorised by its shareholders to issue up to 15,400,000 shares in connection with the issuance of financial instruments, principally convertible bonds. The shares represent conditional capital authorised without time limitation and remain available for share issuance upon conversion of financial instruments issued or to be issued in the future. No options were outstanding as of June 30, 2016.

In the first six months of 2016 and the first six months of 2015, the number of treasury shares acquired on the regular trading line, amounted to 45,000 and 129,905, respectively, and the net consideration paid amounted to EUR 3 and EUR 8, respectively.

During the six months ended June 30, 2016 and the six months ended June 30, 2015, the Company awarded 12,430 and 8,948 treasury shares, respectively, to the Board of Directors as part of their compensation packages. In addition, in the first six months of 2016 and the first six months of 2015, 240,643 and 296,320 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

The Company launched the following share buyback programmes on a second trading line with the aim of subsequently cancelling the shares and reducing share capital:

- EUR 400 in June 2012 (completed in September 2013);
- EUR 250 in September 2013 (completed in November 2014);
- EUR 250 in November 2014 (completed in January 2016).

In January 2016, the Company acquired 188,000 shares for EUR 11 to complete the most recent share buyback programme. In the first six months of 2015, the Company acquired 495,750 shares for EUR 31 under the same share buyback programme.

At the Annual General Meeting of Shareholders of Adecco Group AG held on April 21, 2016, the shareholders approved the cancellation of 3,318,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,318,750 registered shares with a nominal value of CHF 1.00 each. The cancellation of 3,318,750 treasury shares was completed on July 4, 2016. Effective July 4, 2016 the share capital of the Company amounts to CHF 171 divided into 171,156,187 shares.

At the Annual General Meeting of Shareholders of Adecco Group AG held on April 21, 2016, the shareholders approved two dividends for a total of CHF 2.40 per share outstanding, whereof a dividend of CHF 0.90 was allocated from Adecco Group AG's statutory reserves from capital contribution to free reserves and subsequently distributed to shareholders, and a dividend of CHF 1.50 was directly distributed to shareholders from voluntary retained earnings. The statutory reserves from capital contribution was classified as additional paid-in capital in the consolidated balance sheet.

in millions, except share and per share information

Accumulated other comprehensive income/(loss), net

The components of accumulated other comprehensive income/(loss), net of tax, are as follows:

in EUR	30.06.2016	31.12.2015
Currency translation adjustment	(41)	30
Unrealised gain on available-for-sale securities	1	
Unrealised gain on cash flow hedging activities	1	1
Pension-related adjustments	(42)	(44)
Accumulated other comprehensive income/(loss), net	**(81)**	**(13)**

In the first six months of 2016, an amount of EUR 2 (net of tax of less than EUR 1) was reclassified from accumulated other comprehensive income/(loss), net to SG&A in the statement of operations in connection with pension-related adjustments.

Note 5 • Employee benefit plans

For the six months ended June 30, 2016 and June 30, 2015, estimated net pension expense for the defined benefit plans is as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2016	2015	2016	2015
Components of pension expense				
Service cost	8	8	3	4
Interest cost	1	1	1	3
Expected return on plan assets	(3)	(4)	(1)	(2)
Amortisation of net (gain)/loss	2			
Pension expense, net	**8**	**5**	**3**	**5**

in millions, except share and per share information

Note 6 • Financial instruments

In accordance with Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging" ("ASC 815"), all derivative instruments are initially recognised at fair value as either other current assets, other assets, accounts payable and accrued expenses, or other liabilities in the accompanying consolidated balance sheets regardless of the purpose or intent for holding the derivative instruments. The derivatives are subsequently remeasured to fair value at the end of each reporting period. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments as well as the changes in the fair value of the hedged item attributable to the hedged risk are recognised within the same line item in earnings. Any cash flow impact on settlement of these contracts is classified within the consolidated statements of cash flows according to the nature of the hedged item. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the changes in the fair value of derivative instruments is initially recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognised in earnings. The cash flow impact on settlement of these contracts is classified according to the nature of the hedged item. For derivative instruments designated and qualifying as net investment hedges, changes in the fair value of the derivative instruments are recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity to the extent they are considered effective. These gains or losses will remain in equity until the related net investment is sold or otherwise disposed. The cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

For derivative instruments that are not designated or that do not qualify as hedges under ASC 815, the changes in the fair value of the derivative instruments are recognised in other income/(expenses), net, within the consolidated statements of operations. Any cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

Risk and use of derivative instruments

The Company conducts business in various countries and funds its subsidiaries in various currencies, and is therefore exposed to the effects of changes in foreign currency exchange rates. In order to mitigate the impact of currency exchange rate fluctuations, the Company assesses its exposure to currency risk and hedges certain risks through the use of derivative instruments. The Company has also issued fixed rate long-term notes. Accordingly, the Company manages exposure to changes in fair value of fixed interest long-term debt through the use of derivative instruments.

The main objective of holding derivative instruments is to minimise the volatility of earnings arising from these exposures in the absence of natural hedges. The responsibility for assessing exposures as well as entering into and managing derivative instruments is centralised in the Company's treasury department. The activities of the treasury department are covered by corporate policies and procedures approved by the Board of Directors, which limits the use of derivative instruments for trading and speculative purposes. Group management approves the hedging strategy and monitors the underlying market risks.

in millions, except share and per share information

Fair value of non-derivative financial instruments

The following table shows the carrying value and the fair value of non-derivative financial instruments as of June 30, 2016 and December 31, 2015:

	30.06.2016		31.12.2015	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	948	948	1,198	1,198
• Short-term investments	10	10	10	10
• Trade accounts receivable, net	4,213	4,213	3, 972	3, 972
Current liabilities:				
• Accounts payable	764	764	771	771
• Short-term debt	532	532	93	93
• Current maturities of long-term debt	1	1	322	323
Non-current liabilities:				
• Long-term debt, less current maturities	1,834	1,969	1,832	1,941

The Company uses the following methods and assumptions to estimate the fair value of each class of non-derivative financial instruments:

- Cash equivalents, trade accounts receivable, net, accounts payable, and short-term debt
  The carrying amount approximates the fair value given the short maturity of such instruments.
- Short-term investments
  The fair value for these instruments is based on quoted market prices.
- Long-term debt, including current maturities
  The fair value of the Company's publicly-traded long-term debt is estimated using quoted market prices (refer to Note 3 for details of debt instruments).

in millions, except share and per share information

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of June 30, 2016 and December 31, 2015:

		Notional amount		Fair value	
in EUR	**Balance sheet location**	**30.06.2016**	**31.12.2015**	**30.06.2016**	**31.12.2015**
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swap	Other assets	50	50	1	2
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	733	1,266	19	38
• Cross-currency interest rate swap	Other current assets	45		3	
• Cross-currency interest rate swap	Other assets		46		4
Derivative liabilities					
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Accounts payable and accrued expenses	1,183	400	(20)	(4)
Total net derivatives				**3**	**40**

In addition, as of June 30, 2016 and December 31, 2015, an accrued interest receivable on interest rate swap of less than EUR 1 in both periods, was recorded in other current assets. Furthermore, as of June 30, 2016 and December 31, 2015, an accrued interest receivable on the cross-currency interest rate swap of less than EUR 1 in both periods, was recorded in other current assets.

The fair value of interest rate swaps and foreign currency contracts is calculated by using the present value of future cash flows based on observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments as well as a liquidity charge represented by the bid-ask spread of the outstanding derivatives. The non-performance adjustment reflects the Credit Default Swap ("CDS") applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of June 30, 2016 and December 31, 2015, the total impact of non-performance risk and liquidity risk was an adjustment of less than EUR 1 and EUR 2, respectively.

Fair value hedges

An interest rate swap, with a notional amount of EUR 50 that contains a receipt of fixed interest rate amounts and payment of floating interest rate amounts, has been designated as a fair value hedge of the 2018 notes for EUR 500 issued by Adecco International Financial Services BV. The outstanding contract has an original contract period of six years and expires in April 2018.

For the six months of 2016, a gain on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and an offsetting loss on the related interest rate swap of less than EUR 1 have been recorded as interest expense. For the six months of 2015, a loss on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and an offsetting gain on the related interest rate swap of less than EUR 1 have been recorded as interest expense.

In the first six months of 2016 and 2015, the Company recorded a gain of less than EUR 1 in interest expense related to the amortisation of terminated hedges.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses due to ineffectiveness in fair value hedge relationships were recorded in the first six months of 2016 or in the first six months of 2015. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2016 or the first six months of 2015.

Cash flow hedges

There was no significant effective portion of gains or losses on cash flow hedges recognised in other comprehensive income/(loss), net as of June 30, 2016 and June 30, 2015.

As of June 30, 2016 and December 31, 2015, gains relating to cash flow hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 1 in both periods. No significant reclassifications into earnings of gains and losses that are reported in accumulated other comprehensive income/(loss), net, are expected within the next 12 months.

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under ASC 815. Forward foreign currency contracts, cross-currency interest rate swaps, and foreign currency options are mainly used to hedge the net exposure of subsidiary funding advanced in the local operations' functional currency. Contracts are entered into in accordance with approved treasury policies and procedures and represent economic hedges. Gains and losses on these contracts are recognised in earnings and are included in other income/(expenses), net, in the accompanying consolidated statements of operations.

in millions, except share and per share information

In connection with these activities, the Company recorded a net gain of EUR 4 and a net gain of EUR 3 in the six months ended June 30, 2016 and the six months ended June 30, 2015, respectively, as follows:

in EUR	Location of gain/(loss) on derivative recognised	Gain/(loss) on derivative recognised in earnings			Location of gain/(loss) on related hedged item	Gain/(loss) on related hedged item recognised in earnings	
Derivative	in earnings	2016	2015	Hedged item	recognised in earnings	2016	2015
Cross-currency interest rate swap	Other income / (expenses), net	(1)	1	Loans, and receivables to/ from subsidiaries	Other income/ (expenses), net	1	(1)
Foreign currency contracts	Other income/ (expenses), net	22	(158)	Cash, loans, and receivables to/ from subsidiaries	Other income/ (expenses), net	(18)	161

Credit risk concentration
Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash investments, short-term investments, trade accounts receivable, and derivative financial instruments. The Company places its cash and short-term investments in major financial institutions throughout the world, which management assesses to be of high credit quality, in order to limit the exposure of each investment.

Credit risk with respect to trade accounts receivable is dispersed due to the international nature of the business, the large number of customers, and the diversity of industries serviced. The Company's receivables are well diversified and management performs credit evaluations of its customers and, where available and cost-effective, utilises credit insurance.

To minimise counterparty exposure on derivative instruments, the Company enters into derivative contracts with several large multinational banks and limits the exposure in combination with the short-term investments with each counterparty.

in millions, except share and per share information

Note 7 • Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, consistent with the fair value hierarchy provisions of ASC 820 "Fair Value Measurements":

in EUR	Level 1	Level 2	Level 3	Total
June 30, 2016				
Assets				
Available-for-sale securities	10			10
Derivative assets		23		23
Liabilities				
Derivative liabilities		20		20
December 31, 2015				
Assets				
Available-for-sale securities	10			10
Derivative assets		44		44
Liabilities				
Derivative liabilities		4		4

Note 8 • Other income/(expenses), net

For the first six months of 2016 and the first six months of 2015, other income/(expenses), net, consist of the following:

in EUR	2016	2015
Foreign exchange gain/(loss), net	5	3
Interest income	2	2
Proportionate net income of investee companies	5	4
Other non-operating income/(expenses), net	(7)	1
Total other income/(expenses), net	**5**	**10**

Note 9 • Income taxes

Adecco Group AG is incorporated in Switzerland and the Company operates in various countries with different tax laws and rates. A substantial portion of the Company's operations are outside of Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. Income taxes for the first six months of 2016 were provided at a rate of 28%, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2015, the tax rate was 25%.

The income tax rate in the first six months of 2016 and in the first six months of 2015 includes the positive impact of EUR 4 and EUR 9, respectively, from tax disputes, prior year adjustments, the expiration of the statute of limitations, and other discrete events.

As of June 30, 2016 the total amount of unrecognised tax benefits recorded increased by EUR 5 compared to December 31, 2015 as a result of current year additions, and fluctuations in foreign currency exchange rates. As of June 30, 2015 the total amount of unrecognised tax benefits recorded increased by EUR 2 compared to December 31, 2014 as a result of current year additions, additions related to acquisitions, and fluctuations in foreign currency exchange rates. This was partially offset by the settlement of tax audits and the application of the statute of limitations.

The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statutes of limitations. Based on the outcome of examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognised tax benefits for tax positions taken regarding previously filed tax returns could materially change in the next 12 months from those recorded as liabilities for uncertain tax positions in the Company's financial statements. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

Significant estimates are required in determining income tax expense and benefits. Various internal and external factors may have favourable or unfavourable effects on the future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits, and changes in the overall level of pre-tax earnings.

in millions, except share and per share information

Note 10 • Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended June 30, 2016 and June 30, 2015:

	2016		2015	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted
Numerator				
Net income attributable to Adecco shareholders	334	334	337	337
Denominator				
Weighted-average shares	170,245,955	170,245,955	173,278,121	173,278,121
Incremental shares for assumed conversions:				
• Employee stock-based compensation		194,302		219,311
Total average equivalent shares	170,245,955	170,440,257	173,278,121	173,497,432
Per share amounts				
Net earnings per share	1.96	1.96	1.95	1.94

in millions, except share and per share information

Note 11 • Segment reporting

Effective January 1, 2016, the Company realigned its organisational structure to align with the changes in Executive Committee responsibilities. Switzerland previously considered its own segment is now part of Germany, Austria, Switzerland; Benelux and Nordics previously considered two separate segments were combined; and the Rest of World segments include Australia & New Zealand and the other Emerging Markets segments. Prior year information has been restated to conform to the current year presentation.

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison, which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America; UK & Ireland; Germany, Austria, Switzerland; Benelux and Nordics; Italy; Japan; Iberia; Lee Hecht Harrison; and the Rest of World segments that comprise Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India. The business lines consist of General Staffing (Office, Industrial) and Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), as well as Solutions. Solutions comprises Career Transition & Talent Development ("CTTD"), and Business Process Outsourcing ("BPO") which includes Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS"). The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

The Company evaluates the performance of its segments based on operating income before amortisation of intangible assets, which is defined as the amount of income before amortisation of intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. Segment assets include current assets, property, equipment, and leasehold improvements, net, other assets, intangible assets, net, and goodwill, but exclude investments in subsidiaries and intercompany balances. The accounting principles used for the segment reporting are those used by the Company.

in EUR	France	North America	UK & Ireland	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
Six months ended June 30, 2016											
Revenues	2,366	2,283	1,116	1,062	909	693	612	217	1,770		11,028
Operating income before amortisation of intangible assets	142	132	23	50	30	53	43	62	54	(79)	510
Amortisation of intangible assets											(18)
Operating income											492
Interest expense, and other income/(expenses), net											(26)
Provision for income taxes											(131)
Net income											**335**

in millions, except share and per share information

in EUR	France	North America	UK & Ireland	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
Six months ended June 30, 2015											
Revenues	2,259	2,263	1,119	1,062	868	637	555	202	1,700		10,665
Operating income before amortisation of intangible assets	144	131	26	51	22	42	33	57	58	(71)	493
Amortisation of intangible assets											(18)
Operating income											475
Interest expense, and other income/(expenses), net											(24)
Provision for income taxes											(112)
Net income											**339**

in EUR	France	North America	UK & Ireland	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
June 30, 2016											
Segment assets	1,387	2,727	754	1,275	668	311	319	596	1,058	642	9,737
December 31, 2015											
Segment assets	1,365	2,868	695	1,194	654	265	301	513	1,031	840	9,726

in millions, except share and per share information

Note 12 • Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 676, including those letters of credit issued under the multicurrency revolving credit facility (EUR 8). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

In the ordinary course of business, the Company is involved in various legal actions and claims, including those related to social security charges, other payroll-related charges, and various employment related matters. Although, the outcome of the legal proceedings cannot be predicted with certainty, the Company believes it has adequately reserved for such matters.

Note 13 • Subsequent events

At the Annual General Meeting of Shareholders of Adecco Group AG held on April 21, 2016, the shareholders approved the cancellation of 3,318,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,318,750 registered shares with a nominal value of CHF 1.00 each. The cancellation of 3,318,750 treasury shares was completed on July 4, 2016. Effective July 4, 2016 the share capital of the Company amounts to CHF 171 divided into 171,156,187 shares.

The Company has evaluated subsequent events through August 9, 2016, the date the financial statements were available to be issued. No significant events occurred subsequent to the balance sheet date but prior to August 9, 2016 that would have a material impact on the consolidated financial statements.

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